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In the Supreme Court of the United States

OCTOBER TERM, 1998

ENERCON GMBH, PETITIONER

v.

UNITED STATES INTERNATIONAL TRADE COMMISSION

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE FEDERAL RESPONDENT IN OPPOSITION

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14pp

QUESTIONS PRESENTED

Section 337(a)(1)(B)(i) of the Tariff Act of 1930, 19 U.S.C. 1337(a)(1)(B)(i), prohibits "[t]he importation into the United States, the sale for importation, or the sale within the United States after importation * * * of articles that * * * infringe a valid and enforceable United States patent." The questions presented are:

1. Whether the International Trade Commission (ITC) correctly construed "sale for importation" to include an executory contract for sale.

2. Whether the ITC's exercise of jurisdiction in this case was consistent with due process.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-18a) is reported at 151 F.3d 1376. The order of the International Trade Commission excluding petitioner's goods from entry into the United States (Pet. App. 21a-26a) is reported at USITC Pub. No. 3003. The initial determination of the administrative law judge (Pet. App. 48a-71a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on August 12, 1998. A petition for rehearing was denied on November 16, 1998 (Pet. App. 19a-20a). The petition for a writ of certiorari was filed on February 16,

1999 (a Tuesday following a federal holiday). The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Section 337(a)(1)(B)(i) of the Tariff Act of 1930, 19 U.S.C. 1337(a)(1)(B)(i), prohibits "[t]he importation into the United States, the sale for importation, or the sale within the United States after importation * * * of articles that * * * infringe a valid and enforceable United States patent." The Act authorizes the International Trade Commission (ITC) to investigate any alleged violation of Section 337. 19 U.S.C. 1337(b)(1). If the Commission determines that there is a violation of the Section, it may order that the articles concerned be excluded from entry into the United States. 19 U.S.C. 1337(d). Final determinations of the ITC under Section 337 are subject to review by the Federal Circuit. 28 U.S.C. 1295(a)(6); 19 U.S.C. 1337(c).

Petitioner seeks review of a decision of the Federal Circuit affirming the ITC's determination that petitioner, a German corporation, and The New World Power Corporation (New World), a United States corporation, violated Section 337 by selling for import certain wind turbines manufactured by petitioner in Germany that are used to generate electricity. Pet. App. 1a-2a, 21a. The ITC held that petitioner's wind turbines infringe the rights to U.S. Patent No. 5,083,039 (the '039 patent) now owned by respondent Zond Energy Systems, Inc. *Id.* at 1a-2a, 28a. Pursuant to 19 U.S.C. 1337(d), the ITC issued an order excluding those wind turbines from entry into the United States. Pet. App. 21a-26a.

2. In February 1994, New World submitted a bid to Texas Utilities for a wind energy project in Big Spring,

Texas. Pet. App. 6a, 52a, 65a. The bid stated New World's intention to use petitioner's wind turbines. *Ibid.* Before submitting its bid, New World had met with petitioner at its headquarters in Germany, and petitioner had quoted New World a price for its turbines in connection with the project. *Id.* at 51a-52a, 64a-65a. Petitioner had also written New World before the bid that petitioner would "be prepared to fulfill your requirements * * * as discussed." *Id.* at 5a, 51a, 64a. New World and petitioner's United States sales representative subsequently met with Texas Utilities to discuss the bid. *Id.* at 52a, 65a-66a.

In June 1994, when petitioner's United States sales representative learned that Texas Utilities would likely select New World for the Big Spring project, he reported to petitioner's headquarters that "*[w]e* won" the project and that "*[n]ow we have to deliver*" the turbines. Pet. App. 52a-53a, 66a. New World and Texas Utilities then signed an agreement for the project that provided that, unless agreed otherwise by both parties, all wind turbines on the project would be petitioner's turbines. *Id.* at 6a, 54a, 68a.

On October 17, 1994, at petitioner's request, New World prepared and signed a purchase order to buy 140 wind turbines from petitioner. Pet. App. 55a, 68a-69a. The purchase order provided that petitioner and New World would agree upon the price by the end of the following month. *Id.* at 57a, 69a. Petitioner did not sign the purchase order, and no price was agreed upon by that date. *Id.* at 55a, 57a.

The purchase order also provided that New World's purchase was conditioned upon (1) the approval by the Texas Public Utilities Commission of the New World-Texas Utilities agreement and (2) confirmation of New World's financing for the project. Pet. App. 55a, 69a.

The Texas Public Utilities Commission gave the required approval, and New World arranged financing with a securities firm. *Id.* at 57a, 70a-71a.

3. The ITC commenced an investigation on May 30, 1995, after the owner of the '039 patent filed a complaint with the ITC alleging that petitioner's wind turbines infringed its patent and that petitioner and New World had agreed to a sale for their importation into the United States. Pet. App. 21a. When the ITC's investigation commenced, petitioner ceased further action on the wind turbine project to await the outcome of the proceeding. *Id.* at 71a.

On May 30, 1996, the ITC's administrative law judge (ALJ) held that petitioner and New World had violated Section 337. Pet. App. 21a, 59a. In holding that there had been a "sale for importation" of the wind turbines, the ALJ construed "sale" to include a contract for sale. *Id.* at 48a-49a, 55a-59a. The ALJ also found that petitioner's wind turbines infringed the '039 patent. *Id.* at 21a.

On August 30, 1996, the ITC sustained the ALJ's decision. Pet. App. 21a-26a. It issued an order prohibiting entry into the United States of wind turbines and their components covered by the '039 patent and manufactured or imported by or on behalf of petitioner or New World until February 1, 2010, the expiration of the '039 patent. *Id.* at 23a. On October 28, 1996, the ITC order became final following Presidential review pursuant to 19 U.S.C. 1337(j). Pet. App. 2a.

4. The Federal Circuit affirmed the ITC's decision. Pet. App. 1a-18a. The court initially rejected petitioner's argument that the ITC lacked jurisdiction under Section 337 because there had been no "sale for importation," which petitioner argued should be construed to require delivery of the goods to the pur-

chaser. *Id.* at 8a-13a. Relying upon the ordinary meaning of "sale" as found in dictionaries, the court held that delivery of the goods is not a prerequisite to the ITC's jurisdiction. *Id.* at 9a-10a. The court noted that this construction was supported by the legislative history of the 1988 amendment to the Tariff Act of 1930, which added the phrase "sale for importation" to Section 337 in order to make that provision "a more effective remedy for the protection of United States intellectual property rights." *Id.* at 11a (quoting H.R. Conf. Rep. No. 576, 100th Cong., 2d Sess. 112 (1988)). Accordingly, applying deference under *Chevron U.S.A. Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), the court of appeals upheld the ITC's construction of "sale for importation." Pet. App. 12a.

The court of appeals also rejected petitioner's argument that the ITC could not exercise jurisdiction in an exclusion case under Section 337 unless the goods had actually been delivered to a United States domiciliary. Pet. App. 12a. The court further held that substantial evidence supported the ITC's finding that petitioner and New World had entered into a contract for the sale of the wind turbines. *Id.* at 12a-13a. Finally, the court held that petitioner's wind turbines infringed the '039 patent. *Id.* at 13a-18a.

ARGUMENT

The decision of the court of appeals is correct and does not conflict with any decision of this Court or any other court. Petitioner does not challenge in this Court the ITC's determination, affirmed by the court of appeals, that petitioner's wind turbines infringe the United States patent of respondent Zond Energy Systems, Inc., and the only remedy imposed by the ITC

is to prohibit the infringing wind turbines from entering this country. Further review is not warranted.

1. a. The court of appeals correctly held that the ITC reasonably construed "sale for importation" in Section 337 to include an executory contract for sale. As the court of appeals observed (Pet. App. 9a), the common meaning of "sale" includes a contract to transfer ownership. See *Black's Law Dictionary* 1337 (6th ed. 1990); *Webster's Third New International Dictionary* 2003 (1986). And Section 2-106 of the Uniform Commercial Code defines "[c]ontract for sale" to include "both a present sale of goods and a contract to sell goods at a future time," also known as a "future sale." U.C.C. § 2-106 (1994). Moreover, as the court of appeals explained, "[i]t is common for a 'sale' to be completed even though delivery is to be made in the future." Pet. App. 10a. Although, as petitioner notes (Pet. 6 n.7), the Uniform Commercial Code also states that "[a] 'sale' consists in the passing of title from the seller to the buyer for a price" (U.C.C. § 2-106 (1994)), that statement indicates only that, whenever or however it is completed, a sale is an exchange of title to goods for a consideration. That exchange may be effected by a physical exchange, or by a contract for present or future sale. Thus, the most natural meaning of "sale" includes an executory contract for sale. And, even if the meaning of "sale" is ambiguous, the ITC's interpretation is a permissible construction under *Chevron U.S.A. Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984).

That is particularly true because the ITC's interpretation furthers the statute's purpose. Under petitioner's contrary interpretation (Pet. 8-9), that there can be no "sale" for importation until delivery and the transfer of ownership are complete, the prohibition on "sale for importation" would have scant effect. Parties

desiring to import goods into the United States that infringe a United States patent could simply draft their contracts so that title to the imported goods did not pass until the goods arrived at their destination in the United States. Petitioner's reading of "sale" would thus be a significant barrier to effective enforcement of the statute. Even though Section 337 also prohibits the importation of infringing goods into the United States, petitioner's theory would delay the commencement of an ITC investigation that could lead to an exclusion order.

The phrase "sale for importation" was added to Section 337 in 1988, and Congress stated that it was amending Section 337 to make it "a more effective remedy for the protection of United States intellectual property rights." Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1341(b), 102 Stat. 1212, 19 U.S.C. 1337 note. The principal remedy under Section 337 is the remedy ordered in this case—to exclude infringing goods from the country. See 19 U.S.C. 1337(e). Petitioner's construction would shield parties engaging in commercial sales of infringing goods from scrutiny by the ITC until actual importation had occurred. "Such a result would make section 337 a less, not more, effective remedy," contrary to Congress's stated purpose. *Texas Instruments, Inc.* v. *United States Int'l Trade Comm'n*, 988 F.2d 1165, 1181 (Fed. Cir. 1993).[1]

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[1] The ITC's construction of "sale" is also consistent with this Court's recent decision in *Pfaff* v. *Wells Electronics, Inc.*, 119 S. Ct. 304 (1998). Much as this Court held in *Pfaff* that an invention for which a patent is sought may be "on sale" under 35 U.S.C. 102(b) even though the invention has not been manufactured, so too the ITC reasonably concluded that a transaction involving

b. Contrary to petitioner's contention (Pet. 7-9), the decision of the court of appeals is consistent with its prior decision in *NSK Ltd.* v. *United States*, 115 F.3d 965 (Fed. Cir. 1997). In that case, the Federal Circuit held that free samples given by a foreign corporation to its potential customers in the United States were not merchandise "sold in the United States" for purposes of the antidumping statute, 19 U.S.C. 1673. The court's construction of "sold" to require both a transfer of ownership and consideration (115 F.3d at 975) is correct, given the statute's use of the past tense of "sold" and the fact that the transactions in that case were fully completed. Nothing in *NSK Ltd.* conflicts with the court's holding in this case that "sale[s]" may include executory contracts; indeed, the *NSK Ltd.* court relied upon the same dictionary definitions of "sale" (see *id.* at 974) as the court of appeals in this case.[2]

c. Based on the ITC's reasonable construction of the statute, the court of appeals correctly held that the evidence supports the ITC's determination that the "long and well-established course of conduct, including contemporaneous writings," demonstrated the existence of a contract between petitioner and New World for the sale of petitioner's wind turbines for importation into the United States. Pet. App. 13a, 49a. Formation of a contract may be indicated by the conduct of the parties, U.C.C. § 2-204(1) (1994); Pet. App. 12a, and the omission of one of more terms does not make a contract indefinite if the intent to make a contract is clear and

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allegedly infringing goods may be a "sale for importation" under 19 U.S.C. 1337 even though the goods have not been delivered.

[2] In any event, an intra-circuit conflict does not generally warrant resolution by this Court. See *Wisniewski* v. *United States*, 353 U.S. 901, 902 (1957) (per curiam).

there is a "reasonably certain basis for giving an appropriate remedy," U.C.C. § 2-204(3) (1994). To be sure, the purchase order signed by New World did not specify a fixed price but rather stated that "[t]he price of each [wind turbine] shall be as mutually agreed between New World and [petitioner], subject to being stipulated by" the last day of the following month. Pet. App. 57a. The Uniform Commercial Code recognizes, however, that parties "can conclude a contract for sale even though the price is not settled" and provides that, "[i]n such a case, the price is a reasonable price at the time for delivery if * * * the price is left to be agreed by the parties and they fail to agree." U.C.C. § 2-305(1) (1997).

2. The court of appeals (Pet. App. 12a) also correctly rejected petitioner's contention (Pet. 10-13) that petitioner lacks sufficient minimum contacts with the United States to permit the ITC, consistent with due process, to exercise jurisdiction in the case. The ITC's exercise of jurisdiction is fully consistent with due process, including the minimum contacts test of *International Shoe Co.* v. *Washington*, 326 U.S. 310 (1945), and its progeny.[3]

The ALJ found that petitioner engaged in the "long and well-established course of conduct" discussed above that culminated in a contract to sell the wind turbines for importation into the United States. Pet. App. 49a.

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[3] Contrary to petitioner's contention (Pet. 10-13), the court of appeals did not repudiate the holding of *Shaffer* v. *Heitner*, 433 U.S. 186 (1977), that the *International Shoe* analysis applies to in rem and quasi in rem actions, but held only that application of the *International Shoe* analysis does not limit the ITC's jurisdiction "to situations in which there has been a delivery of control of the goods to a U.S. domiciliary intending to import them into the United States." Pet. App. 12a.

Specifically, the ALJ found (*id.* at 49a-59a, 64a-71a), and petitioner does not contest (see Pet. 8 n.8), that petitioner employed a sales representative in the United States who met with New World and Texas Utility officers, and petitioner's German officers met in the United States with New World officers, all in solicitation of that contract. Those contacts establish that petitioner "purposefully avail[ed] itself of the privilege of conducting activities within" the United States, *Burger King Corp.* v. *Rudzewicz*, 471 U.S. 462, 475 (1985) (quoting *Hanson* v. *Denckla*, 357 U.S. 235, 253 (1958)), and thus justify the exercise of jurisdiction over petitioner under *International Shoe*'s minimum contacts test. See 326 U.S. at 314, 320.

The ITC's issuance of the exclusion order in this case does not require that petitioner's contacts with the United States be so extensive that the ITC could have asserted general jurisdiction over petitioner. The exclusion order arises directly out of petitioner's contacts with the United States. See *Helicopteros Nacionales de Colombia, S.A.* v. *Hall*, 466 U.S. 408, 414-416 & nn. 8-9 (1984). More fundamentally, the order operates only to exclude petitioner's goods from the United States and does not affect any other rights of petitioner in the goods or otherwise. See *Sealed Air Corp.* v. *United States Int'l Trade Comm'n*, 645 F.2d 976, 985-986 (C.C.P.A. 1981). Given Congress's broad power "[t]o regulate Commerce with foreign Nations" (U.S. Const. Art. I, § 8, Cl. 3), petitioner has no vested right to import its goods into the United States. *Buttfield* v. *Stranahan*, 192 U.S. 470, 492-493 (1904). Petitioner thus cannot claim that its due process rights were violated by the ITC's issuance of the exclusion order.

4. Finally, petitioner argues (Pet. 13-17) that the court of appeals' decision "increases the likelihood

* * * that exclusion orders will be unfairly used to affect trade outside of this country" and that the ITC's construction of Section 337 "will be internationally attacked as contrary to American treaty obligations" (Pet. 13). Petitioner's first concern is a policy matter best directed to the Executive Branch. The President has the prerogative under 19 U.S.C. 1337(j) to disapprove any exclusion order for policy reasons, and he chose not to exercise that prerogative in this case. As to petitioner's second contention, petitioner does not argue that the order in this case violates any particular treaty obligation. In any event, petitioner made no such argument in the court of appeals and should therefore not be permitted to raise that argument in the first instance in this Court. See, *e.g.*, *Citizens Bank* v. *Strumpf*, 516 U.S. 16, 21 n.* (1995).

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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